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SPORT SPECIFIC INTERNATIONAL INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1994 AND 1993

McKinnon & Co. Chartered Accountants

McKinnon & Co.
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Sport Specific International Inc.

We have audited the consolidated balance sheets of SPORT SPECIFIC INTERNATIONAL INC. as at December 31, 1994 and 1993 and the consolidated statements of earnings and deficit and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

McKinnon & Co.

CHARTERED ACCOUNTANTS

Calgary, Alberta
February 8, 1995

SPORT SPECIFIC INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 1994 AND 1993

ASSETS

	1994	1993
CURRENT:		
Cash	$ 888,711	$ 241,741
Accounts receivable	76,728	8,332
Prepaid expenses	54,097	1,669
	1,019,536	251,742
CAPITAL ASSETS (Note 3):		
Furniture and equipment	76,139	-
Product development costs	3,178,584	1,139,482
Patents and trademarks	516,774	421,104
	3,771,497	1,560,586
DEFERRED REORGANIZATION COSTS	48,119	48,119
	$ 4,839,152	$ 1,860,447

LIABILITIES

CURRENT:		
Bank indebtedness (Note 4)	$ -	$ 25,000
Accounts payable and accrued liabilities	569,654	43,555
Current portion long-term debt (Note 5)	76,958	-
Deferred revenue	-	52,960
	646,612	121,515
LONG-TERM DEBT (Note 5)	2,479,569	274,119
MINORITY INTEREST	1	312,808
	3,126,182	708,442
CONTINGENCIES (Note 9)		

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 6)	4,029,463	1,152,005
DEFICIT	(2,301,849)	-
ACCUMULATED CURRENCY TRANSLATION	(14,644)	-
	1,712,970	1,152,005
	$ 4,839,152	$ 1,860,447

APPROVED BY THE BOARD:

Director

Director

See Accompanying Notes.

McKinnon & Co. Chartered Accountants

SPORT SPECIFIC INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993

	1994	1993
REVENUE	$ 193,638	$ -
SELLING AND MARKETING EXPENSES	1,131,814	-
GENERAL AND ADMINISTRATIVE EXPENSES	813,246	-
DEBENTURE FINANCING COSTS	161,000	-
INTEREST ON LONG-TERM DEBT	98,385	-
AMORTIZATION	309,491	-
	2,513,936	-
LOSS BEFORE INCOME TAXES AND MINORITY INTEREST	2,320,298	-
INCOME TAXES	-	-
MINORITY INTEREST	(18,449)	-
NET LOSS FOR THE YEAR	2,301,849	-
RETAINED EARNINGS BEGINNING OF YEAR	-	-
DEFICIT END OF YEAR	$ 2,301,849	$ -

See Accompanying Notes.

McKinnon & Co. Chartered Accountants

SPORT SPECIFIC INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993

	1994	1993
Cash provided by (used in) operating activities:		
Net (loss) for the year	$(2,301,849)	$ -
Add (deduct) non-cash items:		
- amortization	309,491	-
- minority interest	18,449	-
- accumulated currency translation	(14,644)	-
	(1,988,553)	-
Net change in non-cash working capital items	352,317	-
Cash (used in) operating activities	(1,636,236)	-
Cash provided by (used in) financing activities:		
Convertible Subordinated Debentures issued	2,300,000	-
Deferred reorganization costs	-	(24,536)
Common Shares issued	2,877,458	611,500
Minority interest converted to common shares	(312,808)	-
Recognition of minority interest	(18,450)	-
Loan (to) from shareholder	(17,592)	400
Western Economic Diversification Office loan	-	56,510
Cash provided by financing activities	4,828,608	643,874
Cash provided by (used in) investment activities:		
Net change in non-cash working capital items	-	72,059
Product development costs	(2,286,564)	(447,903)
Patents and trademarks	(144,543)	(79,000)
Furniture and equipment	(89,295)	-
Cash (used in) investment activities	(2,520,402)	(454,844)
Net increase in cash during the year	671,970	189,030
Cash position beginning of year	216,741	27,711
Cash position end of year	$ 888,711	$ 216,741
Cash Position Consists of:		
Cash	$ 888,711	$ 241,741
Bank indebtedness	-	(25,000)
	$ 888,711	$ 216,741

See Accompanying Notes.

SPORT SPECIFIC INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) Principles of Consolidation -
The consolidated financial statements have been prepared in accordance with generally accepted accounting principles wherein the Corporation would be able to realize its assets and discharge its liabilities in the normal course of business and includes the accounts of Sport Specific International Inc. and its wholly-owned subsidiaries Sport Specific Inc. and 365352 Alberta Ltd. and its seventy-five (75) percent owned subsidiary Sport Specific of America, Inc.

b) Basis of Presentation -
Under an agreement dated April 1, 1992 and effective July 31, 1992, Sport Specific International Inc. issued 5,000,000 Common Shares as consideration for the purchase of the issued Common Shares of Sport Specific Inc. This transaction has been treated as a reverse takeover for accounting purposes. The accounts of Sport Specific International Inc. have been consolidated with the accounts of Sport Specific Inc. as though Sport Specific Inc. was the parent corporation and Sport Specific International Inc. was the subsidiary corporation.

c) Furniture and Equipment -
Furniture and equipment are carried at cost less accumulated amortization. Amortization is provided using the declining balance method at rates up to 30% per annum.

d) Product Development Costs -
Product development costs are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over five (5) years.

e) Patents and Trademarks -
Patents and trademarks are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the economic life of the patents and trademarks. Currently the economic life is considered by management to be 10 years.

f) Deferred Reorganization Costs -
Deferred reorganization costs have been capitalized and will be amortized on a straight-line basis over five (5) years commencing from the date of first production.

g) Foreign Currency Translation -
Assets and liabilities denominated in currencies other than Canadian dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense items are translated at average rates of exchange for the year. Translation gains or losses are included in the determination of earnings. Gains or losses arising on the translation of the accounts of the foreign subsidiary which is considered to be self-sustaining are deferred as a separate component of shareholders' equity.

2. REVERSE TAKEOVER:

As approved by the Shareholders of the legal parent corporation, Sport Specific International Inc. issued on July 31, 1992, 5,000,000 Common Shares in exchange for 2,275,000 Common Shares of Sport Specific Inc. This represents 100% of the issued Common Shares of Sport Specific Inc., the legal subsidiary. Since the former shareholders of Sport Specific Inc. became the majority shareholders of Sport Specific International Inc., the transaction is treated for accounting purposes as a "reverse takeover". Sport Specific Inc. is therefore deemed to acquire the net assets of Sport Specific International Inc. as at the effective date of acquisition, and the share issuing corporation, Sport Specific International Inc. is deemed to be a continuation of Sport Specific Inc.

There was no value accorded to the assets in Sport Specific International Inc. as the assets were written down to a nil value, immediately prior to the acquisition date.

3. CAPITAL ASSETS:

	1994			1993
	Cost	Accum. Amort.	Net Book Value	Net Book Value
Furniture and equipment	$ 89,295	$ 13,156	$ 76,139	$ -
Product development costs	3,426,046	247,462	3,178,584	1,139,482
Patents and trademarks	565,647	48,873	516,774	421,104
	$ 4,080,988	$ 309,491	$ 3,771,497	$ 1,560,586

4. BANK INDEBTEDNESS:

The bank loan is payable on demand, bears interest at the bank's commercial lending rate and has pledged as collateral a general security agreement on all assets of the Corporation.

5. LONG-TERM DEBT:

	1994	1993
Unsecured conditional notes due to shareholders bearing interest at 12% per annum with no fixed terms of repayment.	$ -	$ 17,592
Unsecured loan payable with the Department of Western Economic Diversification Office (WED). The loan is non-interest bearing. The terms of repayment are that 30% of the loan will be repaid commencing March 31, 1995, 30% on March 31, 1996 and the balance of 40% on March 31, 1997. The schedule of loan repayments is currently being renegotiated.	256,527	256,527
Convertible Subordinated Debentures, Series I bearing interest at 8% per annum and maturing May 1, 1999, a floating charge on the assets of the Corporation has been pledged as collateral. The debentures are in denominations of $1,000. The debentures are convertible into Common Shares of the Corporation in accordance with certain terms and conditions as outlined in the Trust Indenture dated May 17, 1994. Each debenture carries 1,000 warrants which are exercisable at $1 per Common Share for each warrant held and expire May 1, 1995.	2,300,000	-
	2,556,527	274,119
Less current portion	76,958	-
	$ 2,479,569	$ 274,119

Principal repayments relating to long-term debt are as follows:

1995	$ 76,958
1996	76,958
1997	102,611
1998	-
1999	2,300,000
	$ 2,556,527

Interest respecting long-term debt included with product development costs amounted to $98,385 (1993 - $Nil).

6. SHARE CAPITAL:

a) Authorized -
An unlimited number of First and Second Preferred Shares, to be issued in series, and an unlimited number of Common Shares of no par value.

b) Common Shares Issued -

	Number of Shares	Amount
Balance, July 31, 1992 (Note 6c)	3,573,000	$ -
Issued to effect acquisition of subsidiary	5,000,000	234,406
	8,573,000	234,406
Issued during period	1,163,990	306,099
Balance, December 31, 1992	9,736,990	540,505
Issued during year (Note 6d)	1,496,250	611,500
Balance, December 31, 1993	11,233,240	1,152,005
Issued during year (Note 6e)	3,262,612	2,877,458
Balance, December 31, 1994	14,495,852	$ 4,029,463

c) The number of Common Shares outstanding at July 31, 1992 represents those of the legal parent, Sport Specific International Inc.

The legal stated capital of Sport Specific International Inc. at December 31, 1994 is $5,823,421 (1993 - $2,826,612).

d) During the year ended December 31, 1993 1,496,250 Common Shares of Sport Specific International Inc. were issued for the following consideration:

	Number of Shares	Amount
Private placement cash proceeds	500,000	$ 250,000
Exercise of stock options	627,500	125,500
Loan guarantee by shareholders	268,750	172,000
Acquisition of intellectual property rights	100,000	64,000
	1,496,250	$ 611,500

Of the 100,000 Common Shares issued for the acquisition of intellectual property rights, 50,000 are subject to an escrow agreement with the Corporation whereby certain conditions must be met for the subject shares to be released.

6. SHARE CAPITAL CONTINUED:

e) During the year ended December 31, 1994 3,262,612 Common Shares of Sport Specific International Inc. were issued for the following consideration:

	Number of Shares	Amount
Private placement cash proceeds	714,285	$ 880,650
Acquisition of intellectual property rights	100,000	64,000
Financing finders fee	50,000	-
Exercise of warrants (Note 6f)	1,170,000	1,070,000
Exercise of stock options	1,000,000	550,000
Conversion of minority interest	228,327	312,808
	3,262,612	$ 2,877,458

During the year the Corporation acquired the minority interest in the amount of $312,808, represented by 312,808 outstanding Preferred Shares, Series I and II of Sport Specific Inc. issued at $1 each, from the holders thereof. The Common Shares of the Corporation were issued at a nominal issue price of $1.37 per Common Share. The recipients of these Common Shares are Directors and Officers of the Corporation.

f) The Corporation had reserved and kept available 250,000 Common Shares to satisfy the terms of a Common Share Purchase Warrant Agreement in connection with a Private Placement on June 30, 1993. The warrants were exercised on June 27, 1994.

The Corporation has reserved and kept available 2,500,000 Common Shares to satisfy the terms of the warrants issued in conjunction with the debenture financing (Note 5). Under the terms of the warrant certificate, the warrants are exercisable at the option of the holder at any time on or before May 1, 1995. Each holder is entitled to one (1) common share of the Corporation in exchange for each warrant held and upon payment of the sum of one (1) dollar per common share. On October 31, 1994 920,000 warrants were exercised at one (1) dollar per common share.

g) The Corporation has reserved Common Shares for issuance under an approved Stock Option Plan which permits certain directors, employees and others to purchase up to 1,075,000 (1993 - 1,250,000) Common Shares as follows:

Exercisable until	Exercise Price	Number of Shares
September 10, 1996	$ 0.20	25,000
December 9, 1996	0.64	100,000
December 9, 1996	2.00	125,000
September 30, 1997	1.25	525,000
December 31, 1997	1.31	300,000

7. INCOME TAXES:

a) The Corporation, for Canadian income tax purposes, has approximately $1,914,000 of non-capital losses available for carry-forward that may be applied against future taxable income and expire as follows: 1996 - $16,000; 1997 - $207,000; 1998 - $268,000; 1999 - $349,000; 2000 - $466,000; and 2001 - $608,000.

b) The Corporation's subsidiary, Sport Specific of America, Inc., has approximately $2,600,000 of non-capital losses available for carry-forward that may be applied against future taxable income of the United States subsidiary and expire in 2009.

8. LOSS PER SHARE:

Loss per share is calculated on the basis of 13,187,721 weighted average Common Shares outstanding. Basic loss per share for the year ended is $0.17. A fully diluted loss per share has not been presented as the results would be anti-dilutive.

Basic loss per share was not calculated for 1993 as the Corporation was in the preproduction stage and had no earnings.

9. CONTINGENCIES:

a) The Corporation is involved in various legal actions relating to the dismissal of an employee and a claim of misappropriation of Corporate property. In the opinion of management of the Corporation any resulting liability is not expected to have a material adverse effect on the Corporation's financial position or its results of operations. Settlements, if any, concerning these contingencies will be accounted for in the year of settlement.

b) The Corporation has made application for the revocation of a cease trade order issued by the British Columbia Securities Commission in 1991 against Long Range Resources Ltd. (the former name of Sport Specific International Inc.), for failure to file financial statements in a timely manner. Management of the Corporation has been advised that this application should be successful.

10. RELATED PARTY TRANSACTIONS:

a) The Corporation paid $68,000 (1993 - $11,000) in legal fees to a legal firm of which the proprietor is a Director of the Corporation.

b) Management fees for services rendered in the amount of $250,000 (1993 - $27,500) were paid by the Corporation to companies controlled by certain Officers and Directors of the Corporation.

10. RELATED PARTY TRANSACTIONS CONTINUED:

c) Office rent in the amount of $16,500 (1993 - $16,800) was paid to a company controlled by an Officer and Director of the Corporation.

d) Included in accounts receivable is an amount of $27,700 (1993 - $Nil) due from an officer and director of the Corporation.

11. SUBSEQUENT EVENTS:

a) Effective January 1, 1995, the Corporation amalgamated with it's wholly-owned subsidiaries Sport Specific Inc. and 365352 Alberta Ltd. The new corporation is carrying on operations as Sport Specific International, Inc.

b) On January 24, 1995, the Corporation entered into a Letter of Intent with Reebok International Ltd. which provides for the development, manufacturing, distribution and sale of a home version of the Sky Walker exercise machine. The terms of the Joint Venture is proposed to be five (5) years with an option to renew. Under the terms of the proposed Joint Venture, the parties would each contribute equally to the costs of product development, inventory build-up and product distribution costs, and each party would share equally in the resulting net earnings. The Joint Venture is to be formed by contract and is in the process of being concluded.

c) During March 1995, the Corporation concluded a private placement of 1,000,000 units. Each unit consists of one (1) Common Share and one (1) Warrant to purchase an additional Common Share at the exercise price of $2.60 on or before September 30, 1995. The subscription price for the units is $2.25. The proceeds of this offering will provide working capital for operations.

d) During January 1995, the Corporation completed the acquisition of the 25% minority interest in Sport Specific of America, Inc., held by Guthrie-Haden Inc. The terms of the acquisition called for the purchase of 333 Common Shares and the cancellation of the Promissory Note issued to the Corporation by Guthrie-Haden Inc. as the purchase consideration of the twenty-five (25) percent minority interest. After this transaction Sport Specific of America, Inc. became a wholly-owned subsidiary of the Corporation.

11. SUBSEQUENT EVENTS CONTINUED:

e) The Corporation has entered into Amended Executive Management Agreements with certain senior executive officers to provide for additional compensation for management services rendered. Accordingly, these senior executive officers are entitled to receive a total of 2,000,000 Common Shares and Warrants to purchase an additional 2,000,000 Common Shares exercisable at the subsciption price of $1 each over a two (2) year period.

These Common Shares and Warrants to purchase common shares are subject to performance based escrow conditions imposed by The Alberta Stock Exchange providing for the release of 25% of the escrowed securities upon the attainment of the following cash flow targets as follows: $5 million; $7.5 million; $10 million; and $15 million.

f) The Corporation intends to file an application for listing of its Common Shares on The Toronto Stock Exchange. Management of the Corporation believes that the application will be favourably considered. The Corporation intends to maintain its current status on The Alberta Stock Exchange and accordingly will be interlisted on both Exchanges.

SPORT SPECIFIC INTERNATIONAL INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1994 AND 1993

12. SEGMENTED INFORMATION:

GEOGRAPHICAL SEGMENTS	CANADA		UNITED STATES		CONSOLIDATED	
	1994	1993	1994	1993	1994	1993
Revenue	$ 84,286	$ -	$ 109,352	$ -	193,638	$ -
Operating loss -						
Segment operating loss	$ 671,254	$ -	$ 1,371,210	$ -	$ 2,042,464	$ -
Debenture financing costs					161,000	-
Interest on long-term debt					98,385	-
Net loss for the period	$ 335,340	$ -	$ 1,371,210	$ -	$ 2,301,849	$ -
Assets	$ 2,411,761	$ 1,806,842	$ 2,427,391	$ 53,605	$ 4,839,152	$ 1,860,447
Amortization	$ 309,491	$ -	$ -	$ -	$ 309,491	$ -
Capital expenditures	$ 131,163	$ 526,903	$ 2,389,239	$ -	$ 2,520,402	$ 526,903

Co. Chartered Accountants